

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	X	
	:	
In re	:	Chapter 11
	:	
24 HOUR FITNESS	:	Case No. 20-11558 (KBO)
WORLDWIDE, INC., et al.,	:	
	:	(Jointly Administered)
Debtors.¹	:	
	:	Ref. Docket No. 263 & 548

**COVER SHEET OF THIRD MONTHLY FEE APPLICATION
OF LAZARD FRÈRES & CO. LLC FOR ALLOWANCE OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED AS
INVESTMENT BANKER TO THE DEBTORS AND DEBTORS IN POSSESSION
FOR THE PERIOD FROM SEPTEMBER 1, 2020 TO AND INCLUDING SEPTEMBER
30, 2020**

Name of applicant:	Lazard Frères & Co. LLC
Authorized to provide professional services to:	Debtors and Debtors in Possession
Date of retention:	July 14, 2020 (effective as of June 15, 2020)
Period for which compensation and reimbursement is requested:	September 1, 2020 – September 30, 2020
Amount of compensation sought as actual, reasonable and necessary:	\$120,000.00 (80% of \$150,000.00)
Amount of expense reimbursement sought as actual, reasonable and necessary:	\$14,784.08

This is a: X monthly interim final application

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: 24 Hour Holdings II LLC (N/A); 24 Hour Fitness Worldwide, Inc. (5690); 24 Hour Fitness United States, Inc. (8376); 24 Hour Fitness USA, Inc. (9899); 24 Hour Fitness Holdings LLC (8902); 24 San Francisco LLC (3542); 24 New York LLC (7033); 24 Denver LLC (6644); RS FIT Holdings LLC (3064); RS FIT CA LLC (7007); and RS FIT NW LLC 99372). The Debtors' corporate headquarters and service address is 12647 Alcosta Blvd., Suite 500, San Ramon, CA 94583.

**THIRD MONTHLY FEE APPLICATION OF
LAZARD FRÈRES AND CO. LLC**

**HOURS BY PROFESSIONAL
SEPTEMBER 1, 2020 – SEPTEMBER 30, 2020**

Name	Title	Hours
Tim George	Vice Chairman	11.5
Tyler Cowan	Managing Director	32.0
Jason Wooten	Managing Director	15.0
Thibaud LeBlanc	Vice President	24.0
Bill Fox	Vice President	55.0
Tim Silver	Associate	40.0
Olya Vasilenko	Associate	75.5
Jay Patel	Associate	11.0
Rachel Hersh	Analyst	32.0
Conor Hogan	Analyst	84.0
TOTAL		380.0

HOURS BY CATEGORY
SEPTEMBER 1, 2020 – SEPTEMBER 30, 2020

Project Categories	Hours
1. Interface with Professionals, Official Committees, and Other Parties-In-Interest	119.5
2. Business Operations Planning, Monitoring, Reporting and Analysis, and Projections	39.5
3. Preparation and/or Review of Court Filings	0.0
4. Court Testimony/Deposition and Preparation	21.0
5. Valuation Analysis	20.0
6. Capital Structure Review and Analysis	91.0
7. Merger & Acquisition Activity	77.0
8. Financing Including DIP and Exit Financing	2.5
9. General Corporate Finance, Research and Analysis, and Other Due Diligence	0.5
10. Fee Application, Engagement	8.5
11. Employee Retention Program	0.5
TOTAL	380.0

EXPENSES BY CATEGORY
SEPTEMBER 1, 2020 – SEPTEMBER 30, 2020

Expense Category	Service Provider (if applicable)	Amount
Employee Meals		\$133.88
Legal Fees		14,650.20
Total Expenses		\$14,784.08

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OF LAZARD FRÈRES & CO. LLC FOR ALLOWANCE OF
COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED AS
INVESTMENT BANKER TO THE DEBTORS AND DEBTORS IN POSSESSION
FOR THE PERIOD FROM SEPTEMBER 1, 2020 TO AND INCLUDING SEPTEMBER
30, 2020**

Lazard Frères and Co. LLC (“Lazard”), as investment banker to the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”), hereby submits its third monthly fee application (this “Fee Application”), pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rules 2014-1 and 2016-2(h) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”) and the *Order (I) Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals and (II) Granting Related Relief [D.I. 544]* (the “Interim Compensation Order”), for interim allowance and reimbursement of 100%

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: 24 Hour Holdings II LLC (N/A); 24 Hour Fitness Worldwide, Inc. (5690); 24 Hour Fitness United States, Inc. (8376); 24 Hour Fitness USA, Inc. (9899); 24 Hour Fitness Holdings LLC (8902); 24 San Francisco LLC (3542); 24 New York LLC (7033); 24 Denver LLC (6644); RS FIT Holdings LLC (3064); RS FIT CA LLC (7007); and RS FIT NW LLC 99372). The Debtors’ corporate headquarters and service address is 12647 Alcosta Blvd., Suite 500, San Ramon, CA 94583.

of Lazard's expenses in the amount of \$14,784.08 incurred in connection with professional services rendered to the Debtors during the period from September 1, 2020 through and including September 30, 2020 (the "Compensation Period"). In support of this Monthly Fee Application, Lazard respectfully states as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the District of Delaware (this "Court") has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(a)-(b) and 1334(b) and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory and other bases for the relief requested in this Fee Application are sections 328(a), 330 and 331 of the Bankruptcy Code, Bankruptcy Rule 2016(a), Local Rule 2016-2 and the Interim Compensation Order.

BACKGROUND

3. On June 15, 2020 (the "Petition Date"), the Debtors each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Bankruptcy Rule 1015(b) and Local Rule 1015-1.

4. On June 23, 2020, the Debtors filed the application to retain and employ Lazard as their investment banker [D.I. 263] (the "Retention Application"), *nunc pro tunc* to the Petition Date, pursuant to the terms of that certain agreement for services dated April 1, 2020 between the Debtors and Lazard (together with the Indemnification Letter annexed thereto, the "Engagement

Letter”). A copy of the Engagement Letter was appended to the Retention Application as Exhibit 1.

5. On July 14, 2020, the Court entered the order approving the Retention Application [D.I. 548] (the “Retention Order”). The Retention Order, among other things, approved the Engagement Letter, as modified by the Retention Order, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, and authorized the Debtors to pay, reimburse and indemnify Lazard in accordance with the terms and conditions of, and at the times specified in, the Engagement Letter as modified by the Retention Order.

6. On July 13, 2020, the Court entered the Interim Compensation Order. The Interim Compensation Order provides, in pertinent part, that on or after the 20th day of each month, each retained professional may file an application for interim allowance of its fees earned and expenses incurred during the preceding month. If no objection is filed within 20 days of the filing and service of a monthly fee application, the Debtors are authorized and directed to pay the retained professional 80% of the fees and 100% of the expenses requested in the monthly fee application that are not subject to an objection.

RELIEF REQUESTED

7. By this Fee Application, Lazard requests (a) interim allowance and payment of compensation for professional services to the Debtors during the Compensation Period in the amount of \$120,000.00, representing 80% of the Monthly Fee for the month of September 2020 in the amount of \$150,000.00 earned by Lazard during the Compensation Period and (b) interim allowance of 100% of Lazard’s expenses incurred during the Compensation Period in connection with such services in the amount of \$14,784.08.

8. The fees charged by Lazard have been billed in accordance with the Engagement Letter and the Retention Order and are comparable to those fees charged by Lazard for professional services rendered in connection with similar chapter 11 cases and non-bankruptcy matters. Lazard submits that such fees are reasonable based upon the customary compensation charged by similarly skilled practitioners in comparable bankruptcy cases and non-bankruptcy matters in the competitive national investment banking market.

9. There is no agreement or understanding between Lazard and any other person, other than members of the firm, for the sharing of compensation to be received for services rendered in these chapter 11 cases.

SUMMARY OF SERVICES

10. The Lazard professionals who rendered services on behalf of the Debtors during the Compensation Period are as follows: Tim George (Vice Chairman); Tyler Cowan (Managing Director); Jason Wooten (Managing Director); Thibaud Leblanc (Vice President); Bill Fox (Vice President); Tim Silver (Associate); Olya Vasilenko (Associate); Jay Patel (Associate); Rachel Hersh (Analyst); and Conor Hogan (Analyst).

11. During the Compensation Period, the Debtors relied heavily on the experience and expertise of the above-named persons in dealing with matters described below. Lazard's highly skilled restructuring and industry professionals devoted significant time and effort to perform properly and expeditiously the required professional services. Although Lazard, in line with market convention, does not bill by the hour, Lazard kept track of its post-petition time in one-half hour increments in accordance with the Retention Order. Such time records are attached hereto as **Exhibit A**.

12. During the Compensation Period, Lazard performed various services on behalf of the Debtors, including, but not limited to, the following:

- a) *Assistance with General Bankruptcy* — Lazard participated in weekly, if not daily, planning sessions and other periodic calls and video calls with the Debtors and their legal counsel and restructuring advisor concerning process and strategy issues related to the bankruptcy. Lazard participated in numerous calls and video calls with the Debtors' management and other advisors and presented materials regarding the terms of the restructuring transaction, rights offering, and other strategic issues to management and the Special Committee. Lazard also provided periodic updates to the advisors to the Official Committee of Unsecured Creditors and DIP lenders and consulted with them during the process.
- b) *Calls and Oversight of Diligence with Creditors and other Parties in Interest* — Lazard prepared, reviewed, advised and assisted in the preparation of presentation materials and diligence information for the Debtors' creditors and their advisors, as well as ratings agencies. Lazard engaged in regular conversations with these constituencies. Lazard, in coordination with the Debtors' management, legal counsel and restructuring advisor, coordinated diligence calls and video calls, management presentations and calls on a number of different topics and work streams.
- c) *Preparation of Court Filings and Court Testimony* — Lazard assisted the Debtors and their legal counsel in the preparation and review of various court filings leading up to and through the Chapter 11 proceedings.
- d) *Restructuring Transaction Negotiation* — Lazard assisted the Debtors in the analysis and negotiation of the restructuring transaction with the creditors, including the negotiation of the terms of the emergence rights offering and take-back debt financing. Lazard professionals, together with the financial advisor, evaluated the Debtor's post-emergence liquidity needs to right-size appropriate capital structure, cost of debt service and new equity investment. In addition, Lazard evaluated creditor holdings of various debt tranches to ensure appropriate plan support by the voting classes.
- e) *Debtor-in-Possession Financing* — Lazard assisted the lenders and other professionals in structuring and negotiating the amendments to the DIP Credit Agreement milestones, necessary to accommodate the requirements of the Debtors and to progress the cases. Lazard also assisted in preparation of materials provided to the ratings agencies to satisfy the rating requirement under the DIP.
- f) *Capital Structure and Debt Capacity Analysis* — Lazard advised the Debtors with respect to numerous debt capacity and capital structure topics. Lazard performed debt capacity and capital structure analyses utilizing multiple methodologies and taking into account appropriate quantitative and qualitative considerations.
- g) *Review and Diligence of Business Plan* — Lazard previewed the Debtors' business plan and analyzed its financial forecasts and operating assumptions, and

evaluated post-emergence liquidity needs under various risk-adjusted scenarios and capital structure alternatives. Lazard professionals had numerous video calls with the Debtors' management and financial advisor to review club reopening forecasts, capital spending assumptions and emergence costs, among others.

- h) Financial Analysis* — Lazard professionals assisted the Debtors' management and restructuring advisor in preparing various presentations, benchmarking and other analyses related to the Debtors' chapter 11 cases, business plan analysis, and marketing and financing processes.

ACTUAL AND NECESSARY EXPENSES

13. Lazard incurred certain necessary expenses during the Compensation Period for which it is entitled to reimbursement under the Engagement Letter and the Retention Order. As set forth in greater detail on the attached **Exhibit B**, Lazard's total expenses for the Compensation Period are \$14,784.08.²

CERTIFICATION OF COMPLIANCE

14. The undersigned has reviewed the requirements of Local Rule 2016-2 and certifies that, to the best of his knowledge, information and belief, this Fee Application complies with that rule.

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² The expense reimbursements requested herein may not include certain expenses incurred by Lazard during the Compensation Period but not processed as of the date hereof. Any such expenses will be included in future monthly fee applications.

WHEREFORE Lazard requests (a) interim allowance and payment of compensation for professional services to the Debtors during the Compensation Period in the amount of \$120,000.00, representing 80% of a Monthly Fee in the amount of \$150,000.00 for month of September 2020 earned by Lazard during the Compensation Period, and (b) interim allowance of 100% of Lazard's expenses incurred during the Compensation Period in connection with such services in the amount of \$14,784.08.

Dated: November 20, 2020
Sargentville, Maine

LAZARD FRÈRES & CO. LLC

/s/ Tyler Cowan

Tyler Cowan
Managing Director
Lazard Frères & Co. LLC
30 Rockefeller Plaza
New York, NY 10112